

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**Y2K READINESS OF MEDICARE
FEE-FOR-SERVICE PROVIDERS
AS OF JULY 1999**



**JUNE GIBBS BROWN
Inspector General**

**OCTOBER 1999
OEI-03-98-00253**

EXECUTIVE SUMMARY

PURPOSE

To provide information about the Year 2000 (Y2K) readiness of Medicare fee-for-service providers.

BACKGROUND

The Y2K problem impacts Medicare fee-for-service providers in several ways. Billing systems, medical records systems, and biomedical devices must be evaluated for Y2K problems that could cause them to malfunction. Additionally, Medicare providers must contact their vendors and utility suppliers to ensure that external factors will not cause problems that may put beneficiaries at risk. Providers should also complete contingency plans in preparation for possible Y2K-related problems. The Health Care Financing Administration (HCFA) has undertaken extensive outreach efforts to assist Medicare providers in preparing for Y2K.

For this inspection, we sent anonymous surveys to 5000 randomly-selected Medicare providers representing five provider groups: acute-care hospitals, nursing facilities, home health agencies, durable medical equipment (DME) suppliers, and physicians. Response rates ranged from a high of 56 percent for hospitals to a low of 20 percent for physicians.

The Office of Inspector General released a report on the Y2K readiness of Medicare fee-for-service providers in March of 1999, and a report on the Y2K readiness of Medicare managed-care organizations in May of 1999. An update to the latter report will be released in the near future.

Recognizing the importance of provider readiness, the United States House of Representatives Committee on Commerce and the Senate Special Committee on the Year 2000 Technology Problem requested that we conduct this inspection.

FINDINGS

Approximately two-thirds of Medicare fee-for-service providers reported that their billing and medical records systems were Y2K ready

Sixty-one to 75 percent of providers who use computerized billing and medical records systems reported that these systems were Y2K ready. Almost all providers expected their billing and medical records systems to be fully ready by the end of 1999. However, at

least one-third of providers reported that they had not yet tested the readiness of these systems. Furthermore, many providers had not tested data exchanges with vendors and contractors.

Even fewer fee-for-service providers reported that their biomedical equipment was Y2K ready

Less than half of providers reported that all of their biomedical equipment was Y2K ready. However, most providers expected their biomedical equipment to be completely ready by the end of the year. Hospitals were the most likely of the provider groups to report that they had tested their equipment. The majority of providers indicated that they are relying on the manufacturers of their biomedical equipment to provide Y2K information.

Many Medicare fee-for-service providers had not completed contingency plans

Less than 60 percent of survey respondents said they had completed contingency plans. Some providers reported that they did not intend to make contingency plans before the end of the year. In addition, uncertainty about external suppliers and utility providers was also a cause of concern among some Medicare providers.

Not all providers are taking advantage of Federal outreach efforts

Some providers were not aware that Y2K information is available on numerous Federal websites. However, almost all of the respondents who had visited the websites found them to be helpful. While approximately 70 percent of providers reported that their Medicare contractors had sent them information or offered assistance with Y2K, about 30 percent were unaware of contractor efforts.

CONCLUSION

Many Medicare fee-for-service providers were not Y2K ready as of July 1999, and we have concerns that some providers may not be ready by January 1, 2000.

In the six months between our two surveys, health care providers have generally reported improvements in the status of their billing systems, medical records systems, and biomedical equipment. Providers were also more likely to report having completed contingency plans than they were six months ago. However, certain provider groups are further along the path to Y2K readiness than others. These differences are reflected in: their reported readiness as of July 1999; the concrete steps they have taken in preparation for Y2K; and their higher response rates.

Furthermore, some providers still report not taking the necessary steps to ensure that they are Y2K ready. Additionally, since a large number of providers did not respond to our

survey, we have no information to measure their current Y2K status, or their prospects for future readiness.

While Y2K readiness is the responsibility of individual providers, HCFA has undertaken numerous efforts to assist them. As HCFA, as well as the provider associations, continue their outreach and education initiatives, we suggest they focus on the following: emphasizing the need to test data exchanges as well as internal computer systems, stressing the importance of contingency planning, and publicizing websites where Y2K information is available. With only a few months left until the year 2000 arrives, it is increasingly important that HCFA, provider associations, and the providers themselves work together to ensure that beneficiaries will continue to receive uninterrupted quality care.

Agency Comments

The HCFA agreed with our conclusions, stating that our survey confirms what their own outreach efforts have found: providers have made progress in Y2K readiness, but there is still much work to be done. Additionally, HCFA provided a detailed account of their past outreach activities and future plans. They concluded by stating that Y2K continues to be the agency's top priority. The full text of their comments is found in Appendix C.

We commend HCFA's attention and concern regarding Medicare fee-for-service providers' readiness for Y2K, and support their plans for continued outreach activities.